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ABSTRACT

States have used a variety of strategies to address financial and educational bankruptcy in public school districts and schools. The results of these intervention strategies are ambiguous. Four approaches that have been used are: (1) district takeovers; (2) mayoral control; (3) third-party partnerships; and (4) reconstitution of schools. In all, 22 states have passed academic bankruptcy laws that hold school districts accountable for student results. Since the first state takeover in 1989, more than 25 interventions in school and district operations have been made across the United States. This evaluation shows that the track record of these accountability mechanisms is mixed. One takeover in West Virginia has been widely viewed as resulting in a turnaround, but takeovers in New Jersey have not brought districts up to state standards. State interventions typically return fiscal soundness to districts in 3 to 5 years, but student achievement often lags. Financial management techniques are standard and can be replicated, but student learning is not easily addressed by a single approach. Traditional intervention strategies lack the strategic innovation needed to improve student learning. New options must be made available to educators, parents, and students. The efforts toward school reform in Chicago, Illinois, and Chelsea, Massachusetts offer examples of some approaches that other schools and districts may use. An appendix describes state academic bankruptcy laws and lists state takeovers. (SLD)

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Balancing Accountability and Local Control:

State Intervention for Financial and Academic Stability

by Richard C. Seder

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Policy Study No. 268

Balancing Accountability and Local Control: State Intervention for Financial and Academic Stability

By Richard C. Seder

Executive Summary

States continue to search for ways to hold schools accountable for results. Financial management and academic performance are two areas where state legislatures gauge school district performance. There are several cases across the nation where school districts failed to maintain sound financial and academic strategies. Financial and academic bankruptcies indicate failure on behalf of local school districts.

In response, states, which have final responsibility for the provision of public education, have proceeded with different intervention and accountability strategies. District takeovers, mayoral control, third-party partnerships, and reconstitution of schools are some of the policies pursued to address school district failure. In all, 22 states have passed academic bankruptcy laws that hold school districts accountable for student results. Since the first state takeover in 1989, more than 25 interventions in school and district operations have been made across the nation.

The track record of these accountability mechanisms is mixed. State takeover of a school district in West Virginia is widely considered a success for the turnaround in financial and educational management of the district. On the other hand, takeovers in New Jersey have failed to bring districts up to state standards in student achievement.

State intervention strategies return fiscal soundness to districts typically in three to five years, but student achievement often lags behind. This mixed bag of results should come as no surprise. Financial-management techniques are standardized and can be replicated. For this reason, returning a district to a sound financial position should come with relative ease. However, student learning is more dynamic in nature and, therefore, not easily rectified by a single, standardized approach. Understanding the scope of student and community

diversity leads us to believe that traditional intervention strategies have failed, and will continue to fail, student learning because of the lack of strategic innovation.

What are needed are new options available to educators, parents, and students. These strategies must have the goal of improving student performance at their cores. Ultimately, these programs should no longer operate if unsuccessful in this mission. The ambiguous results of the different state takeover strategies should lead policymakers to seek alternative accountability strategies. The efforts of Chicago Mayor Daley and the ambitious public-private partnership between Chelsea (MA) schools and Boston University offer options for other states and schools to learn from. Without genuine accountability, poor student achievement will continue to plague many of our nation's public schools.

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Part 1

Introduction

Concern over the performance of public schools is immense. Public opinion polls place it as one of the top public policy issues that needs to be addressed.[1] And policymakers at local, state, and federal levels who hear this concern are attempting to address it in a variety of ways. Examples include developing educational standards, implementing high-stakes examinations, increasing funding, abolishing social promotion of students, and usurping control from local school districts by state or federal authorities.

Public schools operated by local governments have a long history of local control in the United States, though nearly every state has a constitutional responsibility for providing public education. In 1999, over 15,000 school districts operated across the nation, down from over 100,000 at the turn of the 20th century.[2]

In an effort to hold local school districts accountable, 23 states have passed legislation that classifies districts as academically bankrupt and/or creates state authority to take control of the district if they fall below certain standards. Only a handful of individual state departments of education across the nation have taken over school districts. A variation of state takeover is the placement of responsibility for local public schools in the hands of mayors, particularly large, urban districts. Yet another major accountability mechanism used with local schools is the process of reconstitution, the firing and replacement of an entire school staff, both by states and local districts. In all three cases, successful reform of the schools is a prerequisite to returning control to local authorities.

While the public demands that policymakers do something about the crisis in public education, the specific methods are often debated. States have turned to controversial takeover initiatives as a last resort. Takeover initiatives, in effect, place the call for greater accountability against the strong tradition of local control. The challenge to school reformers is how to balance these two values.

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1 *Gallup Social and Economic Indicators—Most Important Problem.* In another poll, 51 percent of poll respondents indicated that they were "Somewhat Dissatisfied" or "Completely Dissatisfied" with the quality of K-12 education in the United States (August 24-26, 1999). Gallup Organization, www.gallup.com, May 23-24, 1999.

2 U.S. Department of Education, National Center for Education Statistics, *1998 Condition of Education* (Washington, D.C.,: U.S. Dept. of Education, 1998). Tremendous consolidation occurred in the mid-1900's.

Part 2

Background

A. State Responsibility, Locally Implemented

Public schools came into existence in the United States in the mid- to late-19th century. As states moved to guarantee publicly funded education, various state constitutions included provisions that called for "thorough and efficient" or "uniform" systems of education. Nearly every state includes a similar provision that gives ultimate responsibility of public education to the state government. The extent and exact meanings of these provisions, often challenged through school finance-equity lawsuits, have been disputed in court.[3]

Though state governments are responsible for providing public education, in nearly every state public education has been implemented at the local level.[4] Whether as a part of county or city governments, or as independent government entities, local school districts provide education to the public.

B. Public Concern

Public education has resided in the hands of local school districts for over 100 years, establishing a strong tradition of local control. The public, businesses, institutions of higher education, and policymakers at all levels have expressed concern about the performance of public schools. In the 30th Annual Phi Delta Kappa/Gallup Poll conducted in 1998, 48 percent of adults believed that children today are receiving a worse education than they had received as children, up from 42 percent in 1979.[5] According to this and other national and local polls, the effectiveness of public education is the number one public-policy issue requiring attention.

According to the Phi Delta Kappa/Gallup Poll, "the percentage of public school parents expressing either a great deal or quite a lot of confidence in the public schools is 47 percent, almost identical to the 46 percent who award the schools in their communities a grade of A or B."[6] While 46 percent of public-school parents

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3 Richard C. Seder, *Pennsylvania School Finance: Out of the Courts and Into the Legislature*, Policy Brief (Los Angeles: Reason Public Policy Institute, June 1998).

4 Only Hawaii has a statewide public-education system.

5 The 30th Annual Phi Delta Kappa/Gallup Poll of the Public's Attitudes Toward the Public Schools. The Gallup Organization, www.gallup.com, 1998.

6 Ibid.

give their own schools high marks, the nation's public schools in general received much lower grades. According to the authors of the poll, "There is every reason to suspect that the schools in the nation to which they are assigning low grades are those in the inner cities."[7] Over 95 percent of poll respondents indicated that is "very important" or "fairly important" to improve inner-city schools.

C. School Performance

There is good reason to be suspect of the performance of inner-city schools. However, the problems of public-education performance are not isolated to those schools in large cities.

According to the U.S. Department of Education, "reading proficiency for 9-year-olds improved between 1971 and 1980, declined between 1980 and 1990, and was stable between 1990 and 1996. Little change occurred from 1971 to 1996 at ages 13 and 17."[8] To put this into perspective, on the latest battery of National Assessment of Educational Progress (NAEP) testing, often regarded as "the Nation's Report Card," 39 percent of fourth-graders (nine-year olds) scored below basic-reading levels, and 31 percent at basic levels. Only 30 percent of fourth-grade students scored at the proficient achievement level or higher.[9]

International rankings look at U.S. student performance in mathematics and science. U.S. fourth-graders scored above international averages in both math and science. In science, only students in South Korea performed better. U.S. eighth-graders scored above the international average in science, but fell below the international average in math. By 12th grade, U.S. students fell below the average in both math and science, scoring above only two countries in math and science, respectively.[10]

Given the performance of students nationally, as shown by national and international standards, concern over the effectiveness of public schools should not be isolated to the inner cities. All schools—rural, urban, and suburban—deserve scrutiny.

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7 Ibid.

8 U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 1998* (Washington, D.C. 1998). U.S. Department of Education, National Assessment Governing Board, National Center for Education Statistics, *NAEP 1996 Trends in Academic Progress* (Washington, D.C.: U.S. Department of Education, 1997).

9 U.S. Department of Education, National Assessment Governing Board, National Center for Education Statistics; *1998 NAEP Reading Highlights* (Washington, D.C., 1999).

10 U.S. Department of Education, International Association for the Evaluation of Educational Achievement, *Mathematics Achievement in the Middle School Years, Science Achievement in the Middle School Years, IEA's Third International Mathematics and Science Study* (TIMSS International Center, 1996); U.S. Department of Education, International Association for the Evaluation of Educational Achievement, *Mathematics Achievement in the Primary School Years, Science Achievement in the Primary School Years: IEA's Third International Mathematics and Science Study, 1997* (TIMSS International Study Center, National Center for Education Statistics, 1997); U.S. Department of Education, *Pursuing Excellence: A Study of U.S. Twelfth-Grade Mathematics and Science Achievement in International Context* (Washington, D.C.: National Center for Education Statistics, 1998).

Part 3

Seeking Accountability

A. Financial and Academic Bankruptcy

Over 15,000 public-school districts—elementary, high school, and unified—operate across the nation. These districts are responsible for both financial and academic operations. Financially, school districts raise revenues through a variety of local taxes, predominantly through local property taxes. School districts also receive monies from their respective state governments and the federal government. Overall, federal sources average 6 percent of total district revenues, slightly higher for impoverished schools, with the remainder of funding roughly split equally between local and state sources. For capital projects (building construction), these states and districts may also raise monies through bonded indebtedness.

While the majority of school districts manage revenues and expenditures responsibly, some districts do not. In 1998, expenditures in the Philadelphia School District exceeded budgeted revenues, and district officials asked the state of Pennsylvania for additional funding, threatening to keep schools closed otherwise. Ultimately, private banks extended loans to the district, enabling the district to open on time. Other districts, including well-documented cases such as Chicago, Cleveland, Compton (CA), and Chelsea (MA), experienced similar cases of financial mismanagement, and essentially, bankruptcy.

Financial bankruptcy is well understood by both policymakers and the general public. More complicated, and not well understood, is academic bankruptcy. States define academic bankruptcy in a variety of ways. States designate schools and school districts as academically bankrupt according to a variety of criteria and standards. As states and districts continue to develop better information systems and become more sophisticated in their data collection, more information becomes available to lawmakers and the public to closely examine their schools.

Twenty-two states and the District of Columbia (through the United States Congress) have legislation allowing the state government to intervene in school districts that consistently underperform according to state performance standards, fiscal, academic, or both (see Appendix 1 for a partial list of states).[11] Each state uses different criteria and standards. Dropout rates, attendance rates, and performance on standardized tests (state and/or national, criterion- and/or norm-referenced) are the most often-used criteria in judging districts. However, the performance standards (benchmarks) against which these and other criteria are set are just as, if not more controversial, than the criteria themselves. The cutoff points used by states are often arbitrary and therefore open to scrutiny.

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[11] Amy Berk Anderson and Anne C. Lewis, *Academic Bankruptcy Policy Brief* (Denver, CO: Education Commission of the States (ECS), March 1997).

Part 4

State Intervention

A. State Takeover

In addition to differing criteria and standards used to determine academically bankrupt schools and districts, states also differ in the interventions used to rectify the situation. Most states warn schools and districts of their academic shortcomings (e.g., two consecutive losses on test scores, falling below a set threshold), a form of an early warning system. Some states provide additional resources to the struggling school or district in the form of funding or curriculum specialists. In exchange, the school or district is required to submit a recovery plan stating how it expects to overcome its deficiencies. For many districts, these early warning-interventions are enough to spur positive change in the schools.

If, after six to 24 months, progress has not been made, many states require an independent audit to evaluate management and teaching methods. In many of the most-severe cases, both financial and academic mismanagement exist. Therefore, an audit of operations includes both fiscal and educational operations, with recommendations on how best to address problems. If these implemented recommendations fail to improve the district, then takeover is the instrument of last resort.

Each takeover differs in its specifics, with state and local officials undertaking a variety of responsibilities. In its fullest form, state-appointed administrators take over the entire day-to-day operations, fiscal and educational, of the district, relieving local board members and administrators of their responsibilities. In other cases, local officials stay in an advisory position to state administrators.

Approximately a dozen states and the federal government have actually taken the last step of assuming control over the entire operations of a district. Though some of these academic bankruptcy laws have existed since the early 1980s, the first takeover because of academic bankruptcy came in 1989 when the state of New Jersey assumed control of the Jersey City School District.

1. Jersey City, New Jersey

Before the state of New Jersey took over the Jersey City School District, considerable problems afflicted the management of the district. New Jersey monitors its school districts using a laundry list of indicators. Jersey City, at the time, only met 35 percent of those indicators, which included financial management, facility improvements, and student performance.

Upon taking control of the district, a state-appointed superintendent streamlined the district's management, eliminated much of the patronage and corruption that existed, put the district back into a fiscally sound position, and renovated crumbling schools. The district's budget climbed from $180 million to over $380 million as a result of funding increases based on a funding-equity lawsuit in New Jersey. This has enabled the district to introduce magnet schools, preschool and kindergarten programs across the district, and after-school programs.

After shoring up the financial health of the district, which occurred within three years of the takeover, the state turned its attention to the academic vitality of the district. Improving the academic program of the struggling district has proven to be much more difficult than achieving financial stability and sound managerial practices. At the start of the 1999-2000 school year, the Jersey City School District was still under the control of the state.

The 1998-99 school year saw 85 percent of Jersey City 11th-grade high school students reach the minimum level of proficiency in writing on the High School Proficiency Test (see Table 1).

Each takeover differs in its specifics, with state and local officials undertaking a variety of responsibilities.

Table 1: Jersey City High School Proficiency Test Results, 1997-1999

	1997-1998	1998-1999	Change
Reading	74.9	69.8	-5.1
Writing	78.5	85.0	+6.5
Math	69.8	75.9	+6.1

Source: New Jersey State Department of Education

However, as Table 1 shows, math and reading scores still fell short of the 85 percent threshold set by the state. The erratic nature of the test scores is also troubling, with reading scores falling by more than five points from one year to the next. The loss came despite a 9.6 percent gain the previous year.[12]

After ten years of control, only the 11th graders in writing met the minimum standards set by the state on standardized tests during the 1998-99 school year. Fourth- and eighth-grade students still fell short of these benchmarks in math, reading, and writing. The district's attendance rate (92 percent) and dropout rate (10 percent) both met the minimum state standards in 1998-99. While gains have been made over this ten-year period, another generation of students in the Jersey City School District matriculated through a public-school system that has failed to meet performance standards set by the state.

Despite the inability of the state to bring the district into compliance, the state unveiled a plan in 1999 to return the district to local control. The plan would return control back to the nine-person elected school board, which

[12] New Jersey Department of Education, *1997-98 Annual Report Evaluation Team Summary* (Trenton, NJ: New Jersey Department of Education, 1998).

has existed as an advisory body to the state-appointed superintendent. Within two years of acceptance by the state board of education and legislature, the board could hire its own superintendent to run the district.

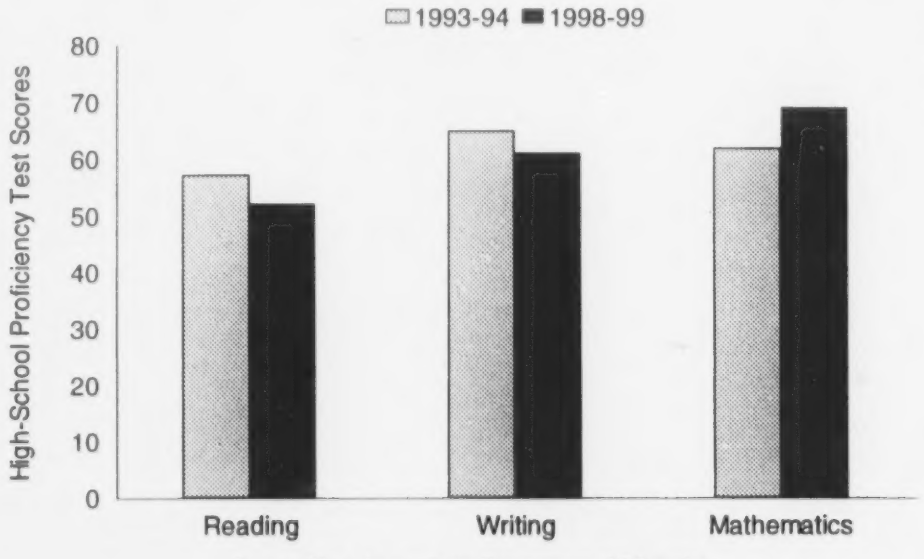
New Jersey Commissioner of Education David C. Hespe, in making the announcement, said that "test scores still fall short of what we want them to be, but our focus has been on improvement. And by bringing the community into schools, I think we'll see greater gains in student performance."[13] The state will still closely monitor the actions of the district to ensure that it moves in the direction of progress and does not revert back to its poor management, both financially and academically.

The State of New Jersey is the most aggressive when it comes to placing control of district operations under the control of the state using its academic bankruptcy law. Two other school districts have also been taken over by the state: Paterson in 1991 and Newark in 1995. Both districts are still under the control of state-appointed superintendents.

Figures 1 and 2 show the academic performance of both districts on the 11th-grade proficiency test in reading, writing, and math. Figure 1 shows results comparing performance across subject areas from 1993-94 to 1998-99 in Paterson. Figure 2 shows results comparing performance from 1995-96 to 1998-99 in Newark.

Approximately a dozen states and the federal government have actually taken the last step of assuming control over the entire operations of a district.

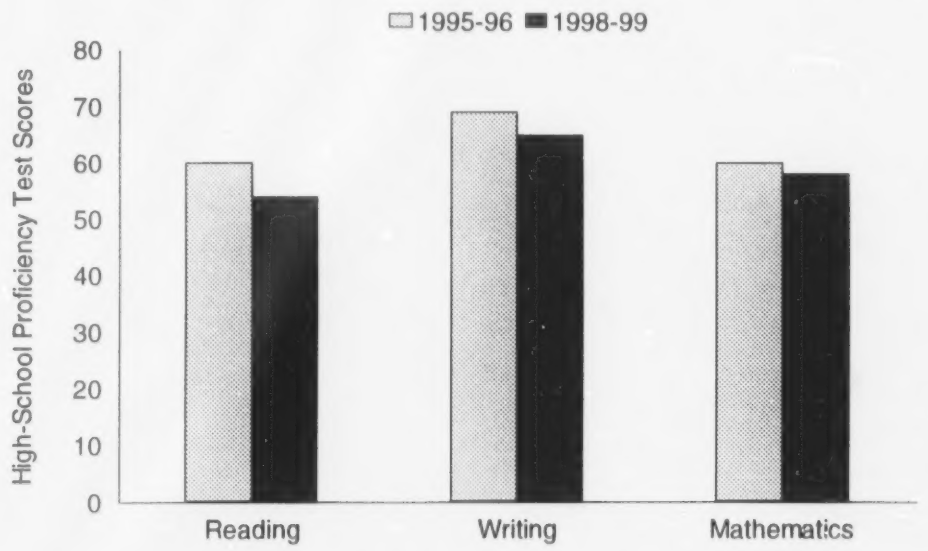
Figure 1: Paterson High School Proficiency Test Scores, Six Year Change



Source: New Jersey State Department of Education

[13] Kerry A. White, "N.J. Plans to End Takeover in Jersey City," *Education Week*, June 9, 1999.

Figure 2: Newark High School Proficiency Test Scores, Four Year Change



Source: New Jersey State Department of Education

Both figures clearly illustrate the poor performance of both districts, remembering that the minimum state standard is 85 percent of students achieving proficiency in all subject areas. In the case of Newark, performance seems to have declined relative to when the state assumed control in 1995, though it may not be a statistically significant difference.

Despite the slow change in student performance in Jersey City accomplished by the state, only after ten years was the state ready to return control to the elected school board and a board-hired superintendent. If Paterson and Newark follow the pattern of Jersey City, they will remain in the hands of Trenton-appointed superintendents for many years to come. State administrators have been successful in returning financial stability to these three school districts. While financial performance improved, the failure to successfully improve academic performance to state-determined performance standards after several years suggests that state control cannot assure academic accountability to the public. Recognizing the importance of local-community participation in making gains in student performance, according to Hespe, one must question why the state did not move sooner to involve the community in the academic turnaround of the district if it is a key ingredient.

2. Logan County, West Virginia

In 1992, the state of West Virginia exercised its powers in taking over the Logan County School District under its 1988 law enabling such actions. The district serves over 7,000 students in the Appalachian Mountains. An independent audit showed mismanagement and administrative bungling from top to bottom. Over one-third of its teachers did not have the proper certification required by the state, not because they

were unqualified, but because the applications submitted by the teachers were never forwarded on to the state. Instead, those applications were found under the personnel director's desk.

Coupling these with other instances of mismanagement with lagging test scores and poor attendance, the state moved in for its first takeover. The state kept the locally elected school board in place, with reduced powers. The superintendent and personnel director were both fired. The state board of education and its hired superintendent handled issues such as personnel, curriculum, and budget. Issues such as transportation and maintenance were still handled by the elected school board.

By 1995, third-grade students were performing at the 69th percentile, up from the 50th percentile when the state assumed control. All of the schools had attendance rates over 90 percent after four years of intervention. Concentrating its efforts on professional development and aligning the curriculum to state standards, the state paid for these efforts through new revenues and by streamlining central office (district) operations.

With these successes, the state returned control to the local school board, which, satisfied with the results and direction in which it was heading, hired the state-appointed superintendent for the permanent position. The district will continue to be reviewed by the state on a five-year basis, the same as other West Virginia school districts.

Logan County represents a state takeover that was considered successful, with the state returning full control within five years to the local school board. Sound management, both fiscal and academic, was restored to the district. The superintendent and local school district credit the success of the takeover to working collaboratively with the local school board during the takeover and to the emphasis on building institutional capacity (namely professional development for teachers and administrators). This is quite different than most takeover scenarios where the local board is either dissolved or reduced to a purely advisory capacity.

The State of New Jersey is the most aggressive when it comes to placing control of district operations under the control of the state using its academic bankruptcy law.

B. Mayoral Control

A variation of the state takeover is the placement of school-district responsibilities into the hands of the city mayor. Districts such as Cleveland, Boston, Chicago, and most recently Detroit, have ceded control to their respective city mayors through legislative action. In some cases, the mayors sought control of the schools. In others, the mayor accepted responsibility reluctantly. In either case, the level of authority held by these mayors differs from city to city. In all cases, however, the main purpose of placing control of schools in the hands of mayors is to set up clear accountability for school performance.

1. Chicago Public Schools

The most popular of these mayoral takeovers is that of Mayor Richard Daley and the Chicago Public Schools (CPS). The transfer of power occurred in 1995 when the Illinois legislature transferred operational control of the district to the mayor. The mayor is charged with appointing a five-person board and a chief executive officer (CEO) for the entire district. The CEO, in turn, appoints everyone else, with consent of the board. One benefit

of shifting control of the schools to the mayor's office has been, according to Paul Vallas, the appointed CEO, "a much greater attempt to mobilize other city departments and agencies in support of the schools."[14]

The Chicago Public Schools had a long reputation for financial and academic mismanagement prior to the mayor's takeover. Eight teacher strikes occurred in the 15 years prior to Mayor Daley's control. The district routinely issued deficit-financing bonds when the budget did not balance, most recently in 1993. According to Vallas, the district will be paying off those bonds until 2011.[15]

Educationally, the district routinely experienced dropout rates of over 50 percent and had a daily attendance rate of approximately 86 percent. During this same period, less than one-quarter of students were scoring above the national average on nationally normed standardized tests in math and reading. Of those students that graduated from the CPS, 96 percent who went on to the city colleges required remedial math and reading.

After taking over the district, the new management team balanced the budget, eliminating a $150 million deficit in the first year and a $1.3 billion deficit over four years. A $2 billion school construction and refurbishment plan is underway to make major repairs to 517 of the system's 557 schools.

Academically, the district appears to be making some progress. Approximately 40 percent of students are at or above the national average in math and 35 percent at those same levels in reading. Attendance rates now hover around the 90th percentile, and truancy rates have been cut in half. While test scores are still below acceptable standards, progress is being made.

A variation of the state takeover is the placement of school-district responsibilities into the hands of the city mayor.

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2. *Mayoral Accountability or Decentralization Efforts?*

Placing control of the district with the mayor's office may not be the sole explanation for fiscal and educational progress. Combinations of factors and past reforms (e.g., the 1988 Chicago School Reform Act) have all contributed to Chicago's rebound.

Vallas attributes Chicago's turnaround to five main factors – some as a result of the takeover, and some from other reforms.[16] The first factor is the change in governance from the local school district to the mayoral-appointed board and CEO. In the past, it was difficult to determine who was responsible for the actions of the district. The mayor, through his management team, is the focal point for action.

The second factor is flexibility and options. The state consolidated categorical funding into two block grants, one for regular education and one for special education. According to Vallas, "We decide how all this money

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[14] Paul G. Vallas, "Saving Public Schools," *Civic Bulletin No. 16* (New York: Center for Civic Innovation, Manhattan Institute, March 1999).

[15] Ibid.

[16] Ibid.

is spent."[17] This flexibility has allowed the district to privatize services to outside service providers, both to improve quality and achieve cost savings. Students designated to attend alternative schools are sent to private schools under contract with the district, as are many of the district's special-education students. The district has also been aggressive in contracting out for custodians, lunchroom attendants, and technical programs. If individual schools are not satisfied with their in-house services, they have the flexibility and authority to contract out for those services. This flexibility is a combination of the decentralization policies of the Chicago School Reform Act of 1988 and their aggressive implementation by the mayoral management team. "We have not limited ourselves to the conventional public school way of doing things," commented Vallas.[18] Not only are the institutions provided the flexibility and options to best serve children, children are given opportunities to attend technical and vocational-education programs and higher-level academic classes outside of the traditional public schools.

A third factor is a change in the culture of the district by setting high standards and expectations. Students, teachers, administrators, and parents across the district are breaking away from a culture of failure by participating in the governance and decisionmaking at the school site level. Everyone in the district is involved in his or her schools, for example, through local school councils.

A fourth factor contributing to the progress in Chicago schools is increased systemwide accountability.

- **Mayor.** The mayor presents a single point of responsibility for the performance of the entire district, to the residents and parents of Chicago, and to the Illinois legislature.

- **School Administrators.** Principals, contrary to popular belief, have contracts. However, Chicago principals do not have tenure. Local school councils, along with the management team, are responsible for hiring and firing principals. In the four years that the district management team has been in place, over 35 principals have been removed from their positions.

- **Teachers.** Teachers are also under contract with the district. While teachers still have tenure within the system, they no longer enjoy seniority. Ineffective teachers can be removed from a school within one school year under the new system. If a school is closed because of academic problems (reconstituted), all teachers must apply to other schools within the system. Teachers are no longer guaranteed positions within the school system. Displaced teachers not hired are kept in the system as full-time substitutes for ten months. If, after that ten-month period, a displaced teacher is still not hired, that teacher is no longer an employee of the school district and released from their contract.

- **Students.** Social promotion has been ended in Chicago. Students in the third, sixth, eighth, and tenth grades are evaluated using a variety of assessment measures. If the student does not meet minimum standards for those grade levels, the student is retained at the same grade level.

To support this new emphasis on accountability, principals, teachers, and students are provided opportunities and assistance needed to achieve these new standards, a critical fifth element. Extended-day and after-school programs are available to over 200,000 students daily. These programs are required for those students who have been retained or are considered at-risk of being retained. Again, a combination of in-house and

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[17] Ibid.

[18] Ibid.

contracted private-service providers (for example, Success Labs, Inc.) is available to schools to serve these students in this capacity. Between the extended-day, after-school, and summer-school programs, students are provided opportunities to meet higher district standards.

Teachers and administrators are provided with continuous and ongoing professional development to meet higher expectations. Because of the decentralization reforms instituted in the district and the establishment of local-school councils, teachers and administrators need the necessary governance and curriculum tools to exercise site-based management and perform successfully. Training teachers how to align their curriculum with state and district standards has been a centerpiece of these capacity-building efforts. Asking teachers and administrators to perform tasks and undertake responsibilities formerly out of their hands without giving them the capacity to implement these reforms would be irresponsible. The more successful takeover efforts have made capacity-building a centerpiece of their reforms.

Pinpointing a singular key to Chicago's success is difficult. The results demonstrated thus far may be a result of governance control given to the mayor by the state legislature. The legislature provided Mayor Daley substantial authority over the schools to accompany his increased accountability for results. Flexibility has also been a central tenet of the mayor's reforms.

At the same time, however, many governance changes and improvement strategies were made in the district through sweeping reforms (e.g. 1988 reforms) before the mayor assumed control. Despite expectations, some reforms may take many years of implementation before results become evident. Many of the decentralization reforms instituted by the district reinforce the reforms made by the mayor, possibly contributing to the successes seen thus far. Because different education reforms are constantly being introduced into the school systems, the causal effects of individual reform strategies are difficult to isolate.

Districts such as Cleveland, Boston, Chicago, and most recently Detroit, have ceded control to their respective city mayors through legislative action.

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3. *Local Control Maintained*

By ceding control of school districts to the mayors of those cities, a certain degree of local control is maintained in school governance. Interventions that have involved the local community and that have not disenfranchised the entire community have typically been more successful in their efforts (Logan County, West Virginia) than those in which local decisionmaking is completely overridden (New Jersey).

However, there are barriers to giving control of districts to city mayors. In Los Angeles, for instance, the Los Angeles Unified School District (LAUSD) serves the children of the City of Los Angeles and children outside of the city limits. In fact, LAUSD serves more than 20 municipalities. In this case, transferring control to the mayor of Los Angeles would result in governance decisions applied outside of his or her jurisdictions. By providing local control to the mayor, local control would diminish for other areas. This problem is more prevalent than many think, with school district boundaries often deviating from city boundaries.

The power of the Chicago reforms lies in its reinforcement of local control. Leaders from top to bottom—the mayor's management team, principals, teachers, and parents—are given the powers to exercise the options available to them. At the same time, the system holds them accountable for their decisions. Ultimately, this accountability for results drive the decisions of those within the school system.

C. Third-party Control: The Case of Chelsea, Massachusetts

Another possible intervention strategy that has not been undertaken yet directly by a state, but has been implemented by an individual school district, is to contract with a third party for the operation and management of the district.

In a unique arrangement, the City of Chelsea (Massachusetts) School District entered into a ten-year partnership with Boston University to manage the operations of the entire school district. The partnership is known as the Boston University/Chelsea Partnership. The partnership took effect June 1989 with the goal of improving student performance, restructuring curriculum, increasing professional development, and re-establishing community involvement in the schools. Based on the progress made, the Chelsea School Committee, the local school board to which Boston University is accountable, extended the life of the contract to June 2003.

1. Background

Chelsea, Massachusetts is a small, densely populated city located northeast of Boston. Twenty-four percent of families live below the poverty line; unemployment averages 5 to 6 percent, nearly 40 percent higher than the state average. In the late 1980s, the city faced social, political, and financial collapse, and the schools were following right behind. The district serves over 5,000 students, of whom over 80 percent are minorities. In school year 1997-98, the mobility rate of the district's students—the percentage of students transferring in and out of the district in a given school year—was 32.4 percent. While the district is small by most enrollment standards, it experiences many of the same problems that face large urban school districts.

In 1987, the Chelsea School Committee asked Boston University to evaluate the public schools in Chelsea. From this evaluation, the university was to make recommendations for reforms. The university found "a school system in serious disarray, with neither a clear sense of what was wrong nor any substantive plan to address its many problems."[19] With this news, the school committee asked Boston University, a private institution, to manage the Chelsea schools.

2. Terms of the Agreement

The elected Chelsea School Committee maintains control of the district as a public entity. The university established a management team drawn from administrators and faculty members at Boston University. The management team establishes the policies for the school system. The team oversees the appointment and operations of the district superintendent. However, the school committee retains the right to override any policy decisions concerning education made by the Management team with a two-thirds vote. In addition, the school committee may terminate the Partnership at any time by a simple majority vote.[20]

Boston University is responsible for providing the Chelsea School Committee with monthly reports regarding the status of the system, including educational and financial decisions. In addition, the university will provide

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[19] Boston University, *The Boston University/Chelsea Partnership, Seventh Report to the Legislature* (Boston, MA: Boston University, September 1, 1998).

[20] Ibid.

an annual report to the school committee, the mayor of Chelsea, and the Chelsea Board of Aldermen summarizing the fiscal condition of the school system and the status of educational programs. Since funding flows come from the city as well as the state, the university is also accountable to the city. However, at no point are any Boston University representatives considered employees of the City of Chelsea or of the Chelsea School Committee. At the same time, no employee of the school system is considered an employee of Boston University.

Finally, before the partnership could officially take effect, the state legislature had to pass legislation enabling this type of partnership to take place. The legislation had to permit the school district to enter into this type of agreement and empower the school committee to give the university the powers to exercise the terms of the agreement. Additionally, the legislation had to provide the city and school committee with the ability to indemnify the university for its actions and provide funding through the district to the university to carry out the action plan. In June 1989, the Massachusetts legislature passed a bill enabling the City of Chelsea to assign to Boston University all authority normally exercised by an elected school board.

3. Results

In its *Seventh Report to the Legislature*, the Boston University/Chelsea Partnership reported its progress towards 17 separate goals (see box) laid out in 1989 by Boston University. Progress towards many of these goals has been made over the previous ten years.

Boston University/Chelsea Partnership Goals

1. Revitalize the curriculum;
2. Establish programs for professional development;
3. Improve test scores;
4. Decrease the dropout rate;
5. Increase the average daily student attendance rate;
6. Increase the number of high-school graduates;
7. Increase the number of graduates who go on to four-year colleges;
8. Increase the number of job placements for graduates of the system;
9. Develop community school programs, including before-school, after-school, and summer programs for students, and establish programs for adult education;
10. Identify and encourage the utilization of community resources;
11. Establish programs that link school and home;
12. Decrease teacher absenteeism;
13. Improve financial management of the system and expand range of available operating funds;
14. Increase salaries and benefits of all staff (competitive with statewide averages);
15. Develop effective recruiting, hiring, and retention policies for all staff positions;
16. Establish student assessment systems that monitor program effectiveness; and
17. Expand and modernize facilities.

4. Student Achievement

For several years, Chelsea schools administered the Iowa Test of Basic Skills (ITBS) to gauge student performance.[21] Starting in 1998, Massachusetts required the administration of the Massachusetts Comprehensive Assessment System (MCAS), a series of proficiency tests in the fourth, eighth, and tenth grades. To maintain some consistency, the *Seventh Report to the Legislature* included results from the ITBS.

Nearly 400 third graders in the district took the Iowa Test of Reading in 1997-98. However, 505 third-grade students were registered in the district. Excluded from testing were those enrolled in transitional bilingual education programs and deemed not ready (or able) to take the test in English. Thus, 78.4 percent of third graders took the test, an improvement from 73.3 percent the previous year; more students are being moved into English-only classrooms.

Table 2 : Third Grade Iowa Literacy Tests

Category	Year 1997	Percent of Students 1997	Year 1998	Percent of Students 1998
Registered 3rd Graders	455		505	
3rd Graders Tested	332	73.3	396	78.4
Advanced Readers	6	1.8	14	3.5
Proficient Readers	104	313.3	128	32.3
Basic Readers	142	42.8	176	44.4
Pre-Readers	80	24.1	78	19.7
Combined Advanced. Proficient, Basic	252	75.9	318	80.3

Source: Boston University/Chelsea Partnership, 7th Annual Report

Table 2 reports third-grader results. The percent of students scoring at the "Pre-Reader" level decreased from 1997 to 1998, while the "Advanced," "Proficient," and "Basic" levels all saw increases over this same time period. In all, the combined percentage of students in the "Basic" through "Advanced" levels increased from 75.9 percent in 1997 to 80.3 percent in 1998. This continues an upward trend in performance for the district. However, as Table 4 shows, examination of test scores using different measures leads to different conclusions about the performance of Chelsea students.

Table 3 : Third Grade Iowa Literacy Tests – National Comparison

Statistic	Vocabulary		Reading Comprehension		Reading Total		Spelling	
Year	1997	1998	1997	1998	1997	1998	1997	1998
Number of Students	291	364	297	364	290	364	292	364
Standard Score	172.3	168.5	175.3	176.8	173.8	172.6	180.0	184.2
National Curve Equivalent (NCE)	38.0	34.5	40.1	41.3	37.1	36.9	44.5	48.7
Percentile Rank: Average Student Norms Against National	29	23	33	35	30	28	41	48

Source: Boston University/Chelsea Partnership, 7th Annual Report

[21] The Iowa Test of Basic Skills is a norm-referenced standardized test administered to students across the nation. Typically, the results shown are how students perform relative to the performance of other students (percentile ranking).

The percentile rank shows the average performance of Chelsea students measured against the national average.[22] While reading comprehension and spelling performance increased, performance on the vocabulary portion of the test declined. Because vocabulary is weighted more heavily than reading comprehension, the total reading score also declined. However, results shown in Table 2 and Table 3 seem to paint very different pictures. While over 80 percent of Chelsea third graders scored above the "Basic" level, the average Chelsea student scored at the 23rd percentile in vocabulary, 35th percentile in reading comprehension, and at the 28th percentile in total reading. Only in spelling do we see that the average Chelsea student scores at around the national average (48th percentile) in 1998.

Chelsea tenth graders are also required to take the Iowa Test of Basic Skills. In order to gain senior-year status, Chelsea students must pass the test by achieving at a specified level. Those high-school juniors who did not pass the test, or who did not take the test in the tenth grade, were required to take the test again. Seventy-eight students took the retest in 1998. Fifty-five percent of these test takers passed. However, determining the relative success or failure of these students is problematic. In order to achieve senior-year status, high school students are required to achieve at or above the 33rd percentile ranking nationally. Because the ITBS is not considered a standards-based assessment, and the percentile ranking reflects performance relative to the performance of all other test takers, the actual performance level of these students is difficult to determine.

To eliminate some of this ambiguity, Massachusetts moved to its own system of assessment, aligned with its newly developed content standards, the Massachusetts Comprehensive Assessment System (MCAS). The test was first administered in 1998 to all fourth, eighth, and tenth graders in the state. Table 4 shows the results, with the percentage of students at each performance level as determined by the state.

Table 4: Chelsea-State Comparisons on Massachusetts Comprehensive Assessment System (MCAS), 1998

Regular Education Students	District or State	% Advanced	% Proficient	% Needs Improvement	% Failing (Tested)	Average Scaled Score	# of Students Tested
Grade 4: Language Arts	District	0	2	71	27	224	303
	State	1	22	69	8	233	60,759
Grade 4: Math	District	6	16	46	32	228	305
	State	13	26	44	17	236	60,901
Grade 4: Science & Technology	District	1	18	58	23	228	305
	State	7	48	38	7	240	60,901
Grade 8: Language Arts	District	0	36	45	13	231	246
	State	3	60	29	7	240	57,249
Grade 8: Math	District	2	13	27	53	217	246
	State	10	27	28	34	230	57,592
Grade 8: Science & Technology	District	0	9	20	66	214	246
	State	2	30	34	33	228	57,592
Grade 10: Language Arts	District	2	21	48	28	226	184
	State	6	38	35	20	233	52,209
Grade 10: Math	District	2	10	28	56	217	184
	State	8	19	27	44	225	52,371
Grade 10: Science & Technology	District	0	6	44	47	218	184
	State	2	24	45	28	227	52,371

Source: Boston University/Chelsea Partnership, 7th Annual Report

[22] The number of students reported is lower because those special needs students who were tested with accommodations were excluded from the final results.

Overall, the district falls below peer-performance levels across the state and across all subject areas at all grade levels in the "Advanced" and "Proficient" levels. The "Science and Technology" subject shows the greatest gap between Chelsea "Proficient" performers and the state (30-point difference in the fourth grade). At the same time, Chelsea has a greater percentage of students failing the different subject areas than does the state as a whole. Sixty-six percent of Chelsea students failed the science and technology test in the eighth grade versus 33 percent of the state. Seventy-five percent of eighth-grade Chelsea students who have attended the district for three or more years failed this portion of the test.[23]

This was the first administration of the MCAS throughout the state, and results can be viewed as performance benchmarks. However, student performance in the Chelsea school district is well below that of the state of Massachusetts.

5. College Bound

Another measure of student and district achievement is the percentage of students who pursue post-secondary education.

Table 5 Chelsea Graduating Class on to Post-Secondary Education

Year	Percent of Class on to any post-secondary education	Number to Four-year Institutions	Number to Two-year Institutions	Number to other Post-Secondary Institutions
1989	52.6	28	35	7
1990	53.1	40	35	18
1991	60.8	46	30	19
1992	60.1	35	43	8
1993	66.7	53	44	17
1994	72.3	41	39	6
1995	73.7	41	47	17
1996	77.0	37	57	14
1997	61.0	35	45	6
1998	74.2	40	46	6

Source: Boston University/Chelsea Partnership, 7th Annual Report

Since taking over the management of the district in 1989, the management team at Boston University, along with the Chelsea faculty and staff, has increased the percentage of students pursuing post-secondary education. In 1989, 52.6 percent of the Chelsea graduating class indicated that they planned to continue their education. Roughly one-third of all graduates planned to attend a four-year college or university, and another one-third planned to attend a two-year college. By 1998, over 74 percent of the graduating class of 124 were making plans for post-secondary education. Again, roughly one-third of all graduates were headed to four-year institutions and another one-third to two-year institutions. However, in 1997, 41 Chelsea students dropped out of high school. The dropout rate for the Chelsea district in 1996-97 was 4.0 percent compared to the state average of 3.4 percent. In 1994-95, the dropout rate for the district was 7.4 percent versus the state

[23] Massachusetts Department of Education, *Massachusetts Comprehensive Assessment System (MCAS), Results Spring 1998* (www.doe.mass.edu/pic.www/MC057003.HTM).

average of 3.6 percent.[24] The four-year dropout rate for the class of 1998 was 27 percent. That is, 27 percent of those students of the potential class of 1998 who started the ninth grade dropped out of school before graduating. Due to this type of attrition in the district, the number of students graduating and abilities of students may be biased, not reflecting the overall performance of the senior class or the district.

6. Financial Management

The Boston University/Chelsea Partnership sought to strengthen the financial position of the school district. In doing so, the partnership team intended to increase funding levels and pursue additional funding outside of the traditional funding avenues through the city and state. Since the inception of the partnership, the school district has maintained a balanced budget. This is a marked improvement for a district that was once "on the verge of bankruptcy and permeated with corruption..."[25] The district spent more than $36 million in 1997-98, including $1.3 million in private contributions and another $3.76 million in grant monies. In all, for school year 1995-96, the district spent roughly $300 less per student than the state average ($4,411 versus $4,737 for regular education programs) and brought teacher salaries closer to the state averages.[26]

Increased funding allowed the partnership to pursue many of its other 17 goals. Similar to the Chicago reforms, capacity building—development of skills by teachers, administrators, parents and the community—plays an important part of the Chelsea reforms. Increased professional development (through further education at Boston University or other colleges, and curriculum design), an emphasis on literacy throughout the community, and the establishment of before- and after-school programs are all elements of this movement.

Proponents argue that reconstitution effectively breaks up a school of ineffective teachers and administrators, allowing the introduction of a new vision with teachers eager to put that change into place.

Though much improvement is still needed, as evidenced by student-test scores, the Chelsea School Committee saw enough gains since 1989 to extend the length of the contract with Boston University until 2003. As in other takeover situations, sound financial management strategies were easily put into place, but student performance, though improving, still lags. While the district permits students to choose the school of their choice within the district, students may not opt for a school outside of the district. In addition, with only one high school in the Chelsea Public Schools, no possibility exists for intradistrict choice for high-school students. Thus, the Chelsea district still has a largely captive audience unable to pursue other educational options.

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[24] Massachusetts Department of Education, *School District Profiles, 1997-1998* (www.doe.mass.edu/pic.www/prd057.htm). The dropout rate indicates the percentage of students in grades 9-12 who dropped out of school between July 1 of a given year and June 30 of the following year, and who did not return to school by October 1 of the that following year. Dropouts are defined as students who leave school prior to graduation for reasons other than transfer to another school.

[25] Boston University, *Message from Superintendent Douglas Sears*, (Boston, MA, Summer 1998), www.bu.edu/chelsea/MESSAGED.HTM

[26] Massachusetts Department of Education, *School District Profiles, 1997-1998* (Boston, MA: Massachusetts Department of Education, 1999).

D. Reconstitution

A fourth option of intervention into a failing school or school system is a strategy known as reconstitution. Reconstitution is the practice of replacing a school's entire staff, including the principal and the entire instructional staff. According to education researcher Jennifer O'Day at the University of Wisconsin-Madison, reconstitution serves three distinct, yet interrelated, purposes:

- A remedy for cases of persistent school failure;
- A threat/incentive for low-performing schools still capable of turning around; and
- A political symbol of the commitment of the system to high achievement for all students.[27]

The process of reconstitution first started in 1983 in the San Francisco Unified School District. In an attempt to improve academic performance in accordance with a consent decree, the district reconstituted six separate underachieving schools in highly segregated parts of the city. With the reconstitution came an emphasis on recruiting the best teachers and staff, an infusion of technology, and an emphasis on professional development. According to a report by education researchers at WestEd, a 1992 panel of evaluators assigned by the court found that African-American students in the reconstituted schools performed better than a comparison group of students. As a result of this performance, the consent decree called upon the district to reconstitute at least three schools per year starting in 1993-94.[28]

Reconstitution often results in little fundamental change to the system. The inflexibility and lack of authority to make changes hinders substantive reforms.

Since San Francisco's initial experiments, additional cities and states have reconstituted schools, including Chicago and New York City, and districts in Colorado, Maryland, New York, Illinois, and Kentucky, to name a few.

To date, O'Day observes a mixed bag of results. To some degree, the variations in policy designs and implementation may explain these mixed results. Variations include:

- Who establishes and enforces the policy;
- What criteria are used to identify schools;
- The quantity and type of professional development (capacity-building strategies); and
- The rationale for how the policy will work.[29]

Some schools such as the initial ones in San Francisco have shown improvement. Others, including subsequent reconstitutions in San Francisco, have shown no improvement, or even a worsening of conditions. The legacy of failure in these schools is often very difficult to overcome. Those schools that have been less

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[27] Jennifer O'Day, *Reconstitution as a Remedy for School Failure*, University of Wisconsin-Madison, Consortium of Policy Research in Education (CPRE), Website accessed May 24, 1999, www.upenn.edu/gse/cpre/docs/rearch/a-2.html.

[28] *Does "Reconstitution" Work?"* WestEd, Website accessed May 24, 1999, www.wested.org.

[29] O'Day, *Reconstitution as a Remedy for Failure*.

than successful have often concentrated on surface changes such as test preparation, rather than on fundamental changes to curriculum or other substantive educational efforts.

As an intervention strategy, reformers view reconstitution as a last resort. The method is highly controversial among educators, parents, and teacher unions. Proponents argue that reconstitution effectively breaks up a school of ineffective teachers and administrators, allowing the introduction of a new vision with teachers eager to put that change into place. Opponents counter that reconstitution introduces further instability into a school that needs anything but instability. Both agree, however, that reconstitution is not a solution in-and-of-itself. Rather, it serves as a tool to introduce change into what is a systemic problem. Because the strategy is extreme in nature, the threat of reconstitution often spurs change and turnaround in low-performing schools. Whether the state or local district makes the threat, individual schools (its participants and constituents) understand the consequences involved with reconstitution. As a result, many districts take intermediary steps to avoid this final action. While there appears to be accountability on the surface for these failing schools, the traditional system of public education maintains operation of the school. Students continue to attend these schools regardless of the district's ability to turn them around. Because of this fact, reconstitution may or may not be a true mechanism of accountability.

Common to all successful intervention strategies is the focus on long-term vision (both financially and educationally), the recentering of objectives on the students, and a commitment to capacity building through professional development. Reconstitution moves this process to the individual school level. However, most public schools still operate in a very top-down hierarchy with most decisions about school-site activity made away from the school site. Those at the school site have little authority to make substantive changes to scheduling, curriculum, or program offerings without running into interference from district administrators or bargaining units. For many schools, teachers and administrators are being held accountable for results without the power and authority to make substantive changes.

Much like the traditional state takeover strategy, reconstitution often results in little fundamental change to the system. The inflexibility and lack of authority to make changes hinders substantive reforms.

Part 5

Search for Results

A. Financial and Management Stability Achieved

In the majority of state-intervention cases—through state takeover, mayoral control, third-party partnerships, or reconstitution—financial and management stability was restored within two years. New Jersey school districts, Chicago Public Schools, Chelsea Public Schools, and San Francisco schools experienced turnarounds in financial management style and emphasized sound financial responsibilities. Chicago, for instance, which faced annual budget deficits of several million dollars, now reports balanced budgets while repaying previously incurred debt.

The strategies employed to realize financial and management stability have varied across jurisdictions. For Chicago, the state allowed maximum flexibility to the district's management team in how state funds could be spent. The state sent funds to the district in the form of block grants. The district has been very aggressive about seeking public-private partnerships in educational and noneducational service provision. Under traditional state takeover, districts saw better financial accounting within the existing system and reductions in inefficiencies and waste. In one San Francisco reconstituted school, three principals came and went within a four-year period before the school had an effective leader for the school. All in all, state intervention has proven to be an effective strategy to overcome waste, inefficiency, and corruption that often exists in troubled schools and districts.

B. Academic Stagnation

While various state interventions have successfully restored financial and administrative integrity to schools and districts, state intervention strategies have been less successful in turning around student performance. After ten years, Jersey City schools may finally be returned to local control despite continued problems with academic performance. As New Jersey Commissioner of Education David C. Hespe points out, in the 32,000-student school district, "test scores still fall short of what we want them to be."[30] By year end 1998, the Jersey City School District had failed to meet six of nine performance benchmarks set by the state and district in student achievement. The district's dropout rate fell to 10 percent in 1997-98, meeting its benchmark and meeting the state standard. After ten years of oversight, student performance as measured by

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[30] Kerry A. White, "N.J. Plans to End Takeover in Jersey City," *Education Week*, June 9, 1999.

test scores has fluctuated substantially, making gains in one year, only to see those gains matched by performance losses in the following year.

New Jersey's state-takeover experiences are not isolated. For all of its accolades, performance by Chicago Public Schools and the Boston University/Chelsea Partnership, as a whole, still fall short of what many parents and educators would consider "good." For Chicago Public Schools, the percentage of elementary school students scoring at or above the national average on the Iowa Test of Basic Skills was 34.3 percent in reading (up from 23.5 percent in 1988-90) and 39.3 percent in math (up from 27.1 percent in 1988-90).[31] These are improvements to be sure, but they still fall far short of educational excellence.

The City on a Hill Charter School

Another reflection of the limited achievements of these hailed experiments comes from two former teachers at Chelsea High School. Frustrated by low academic standards and the system that they were being asked to teach in, they developed and opened a charter school. The City on a Hill Charter School serves high-school students. The school boasts near-perfect attendance, is open from 7:00 a.m. to 6:00 p.m. daily, and offers an additional study hall on Saturdays. The school opened during the 1995-96 school year serving students in grades nine and ten. With each year, the school has added an additional grade level. A hallmark of the school is its insistence on high academic standards. The school provides all teachers the freedom to teach in their classroom the best way they see fit, but ultimately they are held accountable for student performance. In addition, the school is held accountable for results, financially and academically. If the school fails to meet the goals set forth in its charter, then the charter-authorizing agency can revoke or not renew the school's charter, effectively closing down the failing school. Thus far, the school has been successful with similar urban students from the surrounding district.

State intervention has proven to be an effective strategy to overcome waste, inefficiency, and corruption that often exists in troubled schools and districts.

While the intervention strategies of Chicago and Chelsea are innovative, the creation of City on the Hill Charter School and Paul Vallas's insistence on expanding educational opportunities to students through charter schools and private institutions underscores that intervention strategies are not ends, but means to an end. Paul Vallas and the Chicago team appear to recognize this distinction and therefore have focused on alternative educational strategies with the goal of improving student performance. On the other hand, other intervention strategies have typically not made systemic changes to the schools or districts.

C. Control for How Long?

The state of New Jersey took over the Jersey City Public Schools in 1989. For ten years the state has had administrative control of the district, instituting financial and educational changes. In the wake of some progress, the state is slowly turning the district back to local control. However, the lack of sufficient

[31] Chicago Public Schools, www.cps.gov.

academic results made by the district in meeting state performance benchmarks suggests a continued lack of full accountability. Accountability does not automatically result from state takeovers. State takeovers run the risk of transferring responsibility from one inept bureaucratic hierarchy to another, neither one with an idea of how to improve student performance.

In Logan County, West Virginia, the state's takeover of the district was short-lived. With a clear action plan for getting in and out, the state and district were able to avoid a prolonged stay such as those in New Jersey. Ultimately, the district retained the state-appointed superintendent in Logan County once control was returned to the local community. Other experiences, such as those in Compton, California, have seen multiple state-appointed administrators come and go out of the district without making substantial changes or improvements to the system. When the state has failed, who rests control from the state and what options are left for parents and students?

Part 6

Policy Directions

State interventions have proven to be an effective strategy for establishing sound fiscal management through better accounting practices, the decrease of waste and inefficiencies, and the elimination of corrupt-management policies. However, these same state interventions have not been entirely successful with student academic results. To address this weakness, alternative accountability and governance strategies may be needed to address the academic bankruptcy evident in many districts. Just as local bureaucrats and educators within the existing system's structure are incapable of designing and implementing academic recovery strategies, state bureaucrats often have proven to be equally ineffective.

These results should come as no surprise. Student learning is a more dynamic process than is financial accounting. Therefore, standardized approaches to improving student performance are not fully appropriate. The most promising of the various state-intervention strategies, where steady progress is demonstrated by student outcomes, are the mayoral control and third-party contracting options. All successful intervention strategies have involved the local community and local decisionmakers in the reform process and instituted clear lines of authority coupled with strong measures of accountability. These results point to some additional reform strategies that should be pursued for academic recovery.

A. Charter Conversion

Charter schools are public schools started by teachers, parents, and community members that are freed from most state and local regulations in exchange for increased accountability. If a charter school does not meet the standards set forth in its charter, then the charter-granting authority can either revoke or not renew the school's charter.

Charter schools are held accountable for both their financial management and educational results. Typically charters are granted for a five-year period, though the term length varies by states. At the start of school year 1999-2000, 36 states and the District of Columbia had legislation enabling the creation of charter schools.

For failing schools and districts, converting the schools to charter status may be an effective strategy. Each school would design its own curriculum consistent with school, district, and state goals and objectives. By eliminating the regulatory nature of traditional public education, charter schools are given the flexibility to innovate in curriculum, staffing levels, and scheduling. As public schools, they are open to all students in a nondiscriminatory way. By allowing local schools to innovate, in an attempt to better meet the needs of the

local children, while at the same time holding the schools accountable for their results, educational progress is more likely.

B. Education Management Organizations (EMOs)

As a complement to converting to charter-school status, state officials and districts may also consider public-private partnerships with private education-management organizations (EMOs). Education-management organizations, such as The Edison Project, Beacon Education Management, National Heritage Academies, and School Futures Research Foundation, are private companies that specialize in the financial and educational management of public schools, both traditional and charter. These companies vary in size and educational strategies, as well as by geographic location. While most of these companies are for-profit in nature, some, such as School Futures Research Foundation, are nonprofit organizations.

Contracting with one or more of these companies offers different educational strategies to teachers and students to address deficiencies. Much like the partnership between Boston University (a private, nonprofit organization) and Chelsea Public Schools, school contracting typically involves establishing several financial and educational performance goals set forth for the contracted organization to attain. Most, if not all, of the current public-private partnerships with EMOs in place across the nation are performance-based in nature. They create clear performance goals and objectives with options of contract revocation or nonrenewal if the district or charter-granting authority is not satisfied with the results. Much like the charter-school conversion strategy, this ability to change school leadership and instructional practices because of failure to perform provides tremendous accountability to the public (state officials, district administrators and board members, parents, and community members). The primary benefit to the partnership model is that the local school board remains the primary agency responsible for the oversight of public education.

The primary benefit to the partnership model is that the local school board remains the primary agency responsible for the oversight of public education.

Chicago has been aggressive in its approach to academic recovery. Paul Vallas has encouraged the formation of charter schools, including conversion of private, religious schools to charter status, and the use of public-private partnerships to meet the needs of students in Chicago. Recognizing that the Chicago Public Schools cannot be all things to all students, Vallas is willing to explore alternative options, including those not under the direct control of the district.

Both the conversion of failing schools to charter status and contracting with private organizations for educational service provision would require changes to how public education is currently delivered. For instance, the current structure of collective-bargaining agreements and the requirements inherent in bargained contracts with school districts may be incompatible with these strategies. Charter schools and EMOs build on the flexibility to design new staffing strategies and salary contracts. Often, these contracts are made on an individual teacher basis at each school, rather than for all teachers in the district. New thinking by teachers and teacher unions about representation and contract negotiation will be needed that work together towards the mission of educating students through these new mechanisms.

C. Local Option Voucher

The first two alternatives work within the public-school environment. While both are controversial, so too are many of the existing state-intervention strategies. A third option that might be offered to students and parents in failing schools is the option to go to another school, public or private, that would better meet the needs of the student. For example, students in the Jersey City schools and those at Chelsea High School have no choice but to attend the public schools in their district. In both instances, the schools have been under some form of intervention for ten years or more. Former Chelsea teachers opened a charter school out of frustration with the slow pace of change in their district. Students should be given the option of going to another school for their education while those failing schools attempt to improve. The exodus, or threat of exodus, of students to other schools may send powerful signals to schools that the pace of change is too slow or the changes being made are inadequate. Florida is the first state that allows students at designated failing public schools to receive opportunity scholarships to attend another school of their choice. Conversely, several classes of students in Jersey City Public Schools will endure nearly their entire schooling under state receivership. The lack of options to pursue an education outside of a failing school system because of a commitment to the institution of public education places the burden of a failing system on the backs of the children, not the system that has failed them.

Part 7

Conclusion

States have employed various intervention strategies to address financial and educational bankruptcy in public-school districts and schools. The results of these intervention strategies are ambiguous. Each of the four interventions surveyed varies in implementation and, consequently, in effectiveness. From a financial-management standpoint, most of the different intervention strategies tend to be successful. Fiscal soundness returned to most districts within two years of intervention.

However, these intervention strategies have not consistently turned around academic results. Some districts have demonstrated upward trends in student performance in relatively short periods of time (three to five years). However, it is difficult to discern the causal reasons for these upward trends. School districts often undergo several reform strategies at once, some of which may show effects as much as five years after their inception in the district. Thus, a combination of programs beyond state interventions may have influenced student performance.

Other districts under state direction continue to fail to meet state performance standards, even after several years of intervention. The variation in implementation may account for some of this inconsistency. However, state officials are not in any better position to turn around academic performance in a local school district than the failed administration that was in charge before. In effect, the state is not held accountable for results.

Those schools and districts that have experienced positive results—raw results still indicate that tremendous work remains to be done—have some common characteristics. Those schools and districts that have maintained local community involvement in the governance of schools, even if diminished, have shown promise if accompanied by accountability requirements associated with intervention strategies. Another key element to successful intervention is a concentration on capacity building. According to education researchers Allan Odden and Carolyn Busch, "substantive school restructuring requires that teachers develop an array of new professional expertise that can be obtained only through ongoing, long-term professional development."[32] Whether through direct state takeover or by third-party partnership through the district, successful interventions have included substantial increases in professional development opportunities available to instructional and noninstructional staff.

In general, an additional characteristic of successful academic interventions has been the flexibility afforded to make necessary changes. Chicago and Chelsea have seen progress made in student achievement. Chicago teachers and administrators were given substantial flexibility in how to spend state-allocated funds sent to the

[32] Allan Odden and Carolyn Busch, *Financing Schools for High Performance, Strategies for Improving the Use of Educational Resources* (San Francisco: Jossey-Bass, 1998), p. 35.

district in the form of block grants. Boston University, more subtle in its changes, put into place additional programs such as before- and after- school, and adult literacy programs. Many of these programs were afforded through funding outside of city and state allocations, primarily through private contributions and grants.

None of the various state-intervention strategies should be seen as panaceas. Even in those districts deemed successful, student performance often still lags behind national and state averages and falls below state performance standards. Many districts remain under state intervention for several years, while some districts have experienced state intervention for over a decade.

This failure to improve while under state direction raises important questions. How long is an appropriate time within which to expect results after an intervention? And once the state assumes control of a school or district, who holds the state accountable for results?

Because the progress of change is often slow, and the results from these intervention strategies are mixed, other strategies should be considered to address the academic stagnation evident in so many failing districts. The use of charter schools, the utilization of public-private partnerships for education-service provision, and the provision of choices for students to attend schools outside of the failing system should be considered. Each of these options adds accountability to the public education system. At the same time, these strategies provide different options available to teachers, students, parents, and district and state administrators. And educators must reorient their roles, methods, and strategies so that they are consistent with the goal of improving student performance. Above all, they must be held accountable for their own performance in meeting student educational needs. Without accountability, we will continue to struggle with failing schools and inadequate means to improve them.

About the Author

Richard C. Seder is the director of education studies for Reason Public Policy Institute, a national public policy research organization. Mr. Seder has done extensive work in the area of quantitative and qualitative research on the structure of educational systems; school choice programs; accountability issues; and the impact of expenditures on student achievement. Before joining RPPI, Mr. Seder worked as a research assistant to the executive director for the Cato Institute in Washington, D.C., where he assisted in a study analyzing the relationship between public and private post-secondary institutions in three states. Prior to that, he was the recipient of a Charles G. Koch Fellowship through the Center of Market Processes examining the effects of immigration on the U.S. economy. Additionally, Mr. Seder has served as a project director for the Allegheny County School System Project in Pennsylvania, where he conducted extensive research on 43 public school districts. Mr. Seder holds a Masters of Science in Public Policy and Management from the Heinz School at Carnegie Mellon University in Pittsburgh as well as a double bachelors degree in Government and Economics from Beloit College in Wisconsin.

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Appendix 1

Academic Bankruptcy Laws

The following states have "academic bankruptcy" laws in place. At the extreme, these laws allow states to "take over" local district operations in cases of poor student performance.

State	*Citation*
Alabama	Ala. Code § 16-6B-3
Arkansas	Ark. Stat. Ann. § 16-15-418
Connecticut	Special Act 97-4 [1997 Regular Session]
Georgia	Ga. Code Ann. § 20-2-282 and § 20-2-283
Illinois	105 Ill. Comp. Stat. Ann. 5/2-3.25f 105 Ill. Comp. Stat. Ann. 5/34-1 (Chicago School District)
Iowa	Iowa Code § 256.11
Kentucky	Ky. Rev. Stat. Ann. § 158.6455
Maryland	Senate Bill 795 [1997 Regular Session]
Massachusetts	House Bill 5436 [1991 Regular Session] (Boston School District) 603 CMR § 69 1J - § 69 1K
Mississippi	Miss. Code Ann. § 37-17-6
Missouri	Mo. Rev. Stat. § 160.538
New Jersey	N.J. Rev. Stat. § 18A: 7A-14 - § 18A: 7A-15
New Mexico	N.M. Stat. Ann. § 22-2-2 (W)
New York	c. 145 of L. 1995 (Roosevelt Union Free School District) N.Y. Educ. Law § 2590-h (New York City Chancellor)
North Carolina	N.C. Gen. Stat. § 115C-105.39, § 115C-325 (q)
Ohio	Ohio Rev. Code Ann. § 3302.01 - § 3302.06 House Bill 269 [1998 Regular Session] (Cleveland School District)
Oklahoma	70 Okla. Stat. § 1210.541 - § 1210.542
Pennsylvania	Act 46 of 1998 [1998 Regular Session] (Philadelphia School District)
South Carolina	S.C. Code Ann. § 59-18-30
Tennessee	Tenn. Code Ann. § 49-1-601 - § 49-1-602
Texas	Tex. Educ. Code Ann. § 39.131
West Virginia	W. Va. Code § 18-2E-5

Florida (Fla. Stat. § 229.0535), Michigan (Mich. Stat. Ann. § 380.1280) and New York (8 NYCRR at100.2p) have passed laws that allow the state to intervene in a district. However, these laws do not permit the state to alter (on a permanent or temporary basis) the district's governance structure.

A. State Takeovers

The following states have "taken over" the following districts for reasons of "academic bankruptcy":

Connecticut	In 1997, the state legislature enacted a law to abolish the locally elected Hartford school board and empower the governor to appoint a new one.
District of Columbia (U.S. Congress)	In 1995, the U.S. Congress created a financial control board to operate the District of Columbia's government. This board appointed a new superintendent of schools and created a board of trustees to oversee the city's system.
Illinois	In 1994, state officials appointed a three-member panel to "clean up" the financial and academic problems within the East St. Louis school district. In 1995, the state legislature shifted control of the Chicago public schools to the mayor and charged him with appointing school board members, the board president and the district's chief executive officer.
Kentucky	In 1988, the state superintendent of education, with the approval of the state board of education, took control of the Pike County school district due to "educational deficiencies" in the district. In 1994, state officials assumed control of the Letcher County school district. Although the local board remains in place, the state superintendent retains veto power and can initiate actions if the board fails to fulfill its obligations. In 1998, the state superintendent of education appointed three board members to the Floyd County school board, who then voted to accept a takeover by the state because of "educational malpractice" within the district.
Maryland	In 1997, the state legislature entered into a partnership with the city of Baltimore to run the Baltimore public schools. From this partnership, a new, nine-member board of school commissioners was created, with members jointly appointed by the governor and the mayor.
Massachusetts	In 1989, the state legislature enacted a law that allowed Boston University to run the Chelsea school district under a long-term management contract. In 1991, the state legislature enacted a law that abolished the elected Boston School Committee and gave the mayor of Boston the right to appoint school committee members. In 1996, the citizens of Boston voted to maintain the mayorally-appointed school committee. In 1998, state officials intervened in the Lawrence school district. The state entered into a joint selection process with the district for a new superintendent, and opened an office in the district to oversee daily operations and provide technical assistance to school administrators.
New Jersey	In 1989, the New Jersey board of education took over the Jersey City school district, charging district administrators with patronage in hiring, violation of state contract-bidding laws, political interference in the schools and general mismanagement that affected students and their abilities to learn.

New Jersey (con't)	In 1991, after years of performing poorly in New Jersey Department of Education assessments and reviews, the Paterson school district was taken over by state officials. In 1995, the Newark school district was taken over by the state. The New Jersey board of education ruled that the district had failed to give its students a minimum education for decades and would be taken over by a state-supervised management team.
New York	In 1996, the New York Board of Regents voted to approve a state takeover of the Roosevelt school district. As a basis for its actions, the board cited unsafe schools and low-performing students.
Ohio	In 1995, a U.S. federal court charged the state with running the Cleveland public schools through a state-appointed superintendent. In 1997, the state legislature shifted control of the Cleveland public schools to the mayor and charged him with appointing the school board and the chief executive officer of the school system.
Texas	In 1996, the state appointed a management team to run the Wilmer-Hutchins school district.
West Virginia	In 1992, state officials took over the Logan County school district, after many years of poor management and personnel practices and low student achievement records. In 1998, the Mingo County school district was taken over by the state. The West Virginia Board of Education determined that "extraordinary circumstances" existed in the district because of continuing budget deficits, low student achievement and a lack of leadership.

Source: Education Commission of the States

Other Related RPPI Studies

Remedial Education Reform: Private Alternatives to Traditional Title I, by Lisa Snell with Lindsay Anderson, January 2000.

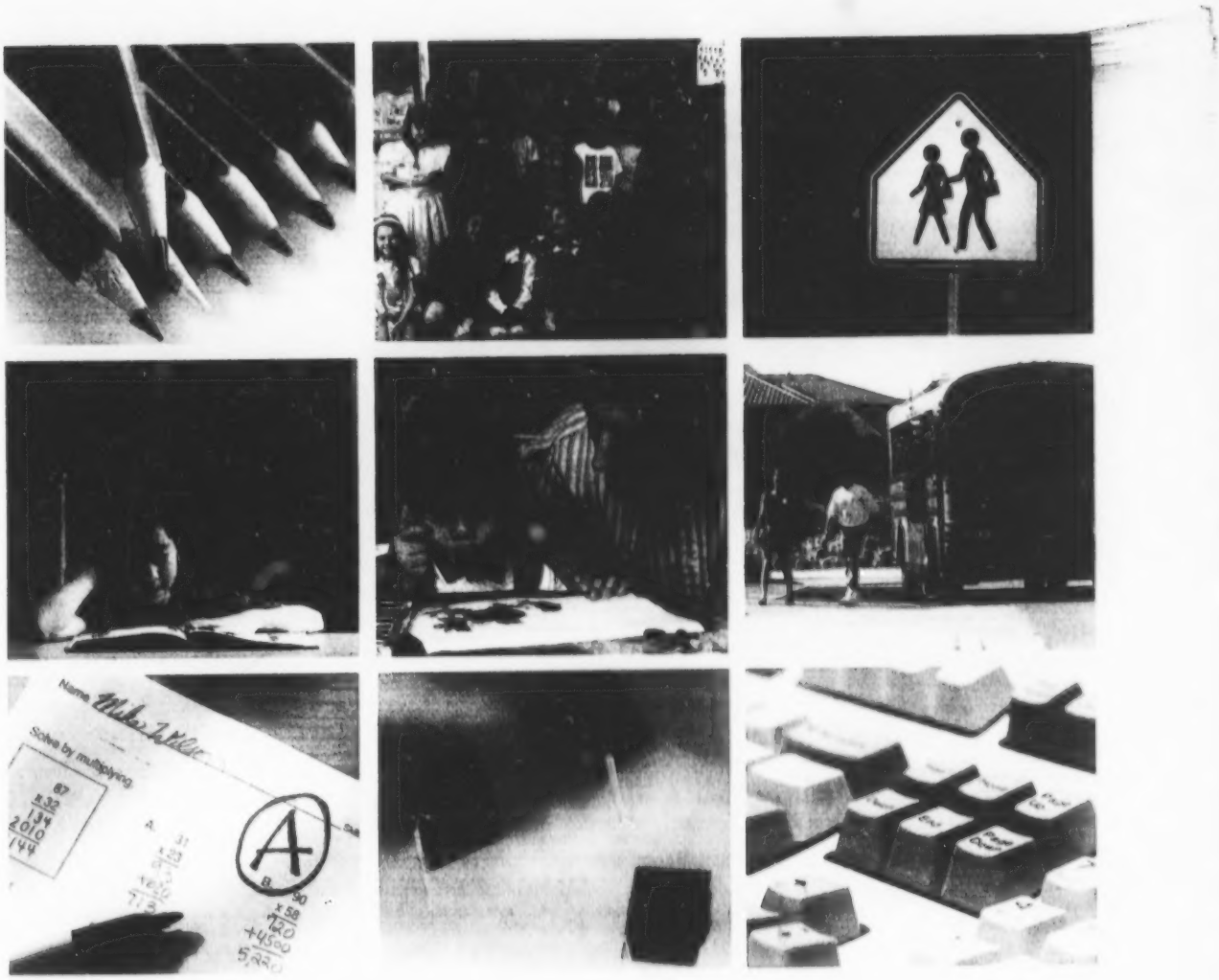
Satellite Charter Schools: Addressing the School-Facilities Crunch through Public-Private Partnerships, by Richard Seder, April 1999.

Pennsylvania School Finance: Out of the Courts, Into the Legislature, by Richard C. Seder, October 1998.

Bilingual Education: Reading, Writing & Rhetoric, by Richard C. Seder, 1998.

School Violence Prevention: Strategies to Keep Schools Safe, by Alexander Volokh and Lisa Snell, October 1997.

Charter School Innovations: Keys to Effective Charter Reform, by Theodor Rebarber, July 1997.



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